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Dear Colleague:

I would like to report to you on a trip that I made to three countries in Central America last week: El Salvador, Nicaragua and Guatemala.

I went to gather observations and information firsthand because the pace relating to trade agreements and negotiations will intensify in the next weeks. On May 6th, the Administration is scheduled to sign the U.S. - Singapore Free Trade Agreement. The U.S. - Chile Free Trade Agreement is also complete and nearing signature. Finally, in early May, it is likely the Administration will make a proposal on core labor standards during ongoing negotiations over a U.S. - Central American Free Trade Agreement.

My trip to Central America consisted of 30 meetings with representatives of the Government, members of the National Assembly, leaders in the business community and labor movement, site visits and conversations with workers. We discussed a number of key issues relating to current trade negotiations, including agriculture, environment, aspects of the operation of free markets and in particular the role and rights of workers in the three countries.

My trip underlined the major opportunities and the major challenges presented in a trade agreement with this region. There is clearly a major opportunity to provide through more economic integration a much needed boost to economic growth. There is also a major challenge to do so in the right way – setting the rules of competition so they effectively address persistent poverty, which would be of mutual benefit to the Central American countries and the U.S. economy.

In recent years the major industrial growth in each of the three nations has been in the maquilas, assembling apparel in free trade zones. This remains the most foreseeable engine driving their economies in the years immediately ahead.

A few basic facts about these maquilas from my direct discussions and observations:

- 100,000 to 150,000 people work in the garment maquilas of each nation.
- 75-85% of the workers on average are women.
- The average age is 18-25.
- Most of the women have 2-3 children.
- A majority of the women are the sole source of income for themselves and their children.
- By law, the work week is supposed to be 44 hours, with overtime hours on a voluntary basis within a limited number of hours.

- The typical worker receives about \$100-\$125 a month for about 150-160 hours a month, or about 65 to 75 cents per hour. If paid by piece the average could be around \$1 per hour.

As you know the International Labor Organization (ILO) has five core labor standards: prohibitions on child labor and forced labor, non-discrimination, and the right to associate and bargain collectively.

In the garment maquilas, where child labor does not seem to be an issue unlike the agriculture or the informal sector where child labor is common, what is clearly the most salient to the conditions of these workers is the right to associate, organize and bargain collectively.

Today, in each of these three countries, that right is not a reality. Indeed the opposite is true. The laws themselves are inadequate and do not embody the five core labor standards. And, even where there are laws on the books, they are not well enforced and are often used against workers trying to organize.

What follows are just some examples from my meetings:

- In Nicaragua and El Salvador, an employer can fire any employee whom it believes is sympathetic to an organizing effort simply by paying a small severance.
- In Nicaragua and Guatemala, employees cannot undertake a work stoppage or strike without approval of the government, either by law or by the effect of government regulation.
- In El Salvador we visited a plant where there was highly credible evidence that the employer had blacklisted employees who had tried to organize a neighboring plant. (That plant was shut down to avoid its workers being able to organize.)
- In one plant I visited in Nicaragua workers had quite recently been working 70-to-80 hours (apparently for the same \$100 a month); in some cases they were working 24 hour shifts. Protests finally forced new management, but the new management said they were still working people longer than permitted in the law.
- In Guatemala we talked with a worker who had witnessed workers who had been trying to organize being surrounded and beaten by some other employees, without any intervention by management. Indeed, the worker believed that the bats used could only have been provided by management.
- In Nicaragua and Guatemala, there were described uses of the criminal process by an employer in order to bust a union, in maquilas and other sectors.

- In Guatemala it is impossible for an organization to legally try to organize within an entire industry like the garment industry without having in advance 50% plus one of the workers signed up and registered with the government.

Finally, as far as we could determine, there is not a single effective collective bargaining agreement in any of the garment maquilas of the three countries though there are over 300,000 workers. We did visit a plant in Nicaragua, which after very turbulent and adversarial labor relations, decided to build a new relationship with its workers. The atmosphere has changed within the plant and it seemed like some partial agreements would be negotiated into a full scale collective bargaining agreement.

Two main points leapt out from what I saw and heard during my time in Central America.

First, the realities within the maquilas are built on a total imbalance in relationships between employer and employee. The environment, the atmosphere, in the plant is that the management is master and the employee highly subservient. The vast majority of workers are particularly vulnerable, with utter fear that for them, as single mothers, losing a job means an end to the sole source of income for their families. Unless this basic imbalance of power changes, all of the market access in the world is not going to alleviate the cycle of poverty in the region. Workers will be able to break the cycle of poverty for themselves and for their children's future only if there is a new balance from the present iron grip of the employer – an antecedent to those workers helping to reverse a shrinking middle class in some countries.

In talking to workers in other sectors, such as electrical and bananas, there is a similar pattern and need in those sectors.

Second, suppression of workers violates the very letter and total spirit of core ILO standards. Further, it is both unnecessary and counterproductive. The Central American region can compete with the rest of the world's garment industries without suppressing their workers. While in one plant in El Salvador, I figured the labor content of one product that I saw being assembled. My estimate, not exact but I believe in the ballpark, was that for this ladies' undergarment which sells for approximately \$1.50 in the U.S. the wage cost was 5 cents.

I worked for passage of the 2000 enhancement to the Caribbean Basin Initiative because I believed that if we did not build on the complementarities in apparel and textile production in the Caribbean region (including the United States) virtually all of the apparel and increasingly the textile production would be captured by nations outside of North America, mainly in Asia. We were able to insert into the CBI enhancement legislation a provision requiring beneficiary countries to make a more vigorous commitment to implementing core labor standards in order to obtain preferential access to the American market. The purpose of this provision was to build in standards applicable equally to all Caribbean Basin nations so that there would not be a "race to the bottom" in the Caribbean, with the plant or nation that most suppressed its workers or their pay receiving the greatest benefit.

A Central American Free Trade Agreement (CAFTA), which would replace CBI for the Central American nations, presents an opportunity to help Central American nations move into a new era of employer-employee relations over a reasonable period of time. Indeed, if this challenge can be met, the result could be for our neighbors to use a Central America Fair Practices label on garments coming from the region, unlike competing goods produced in some other nations. This would be important for workers, and for businesses, both in Central America and in the U.S., and I believe for increasing numbers of American consumers concerned about the conditions under which the products they buy are produced.

One key to helping bring this about is to incorporate into the CAFTA agreement the effective enforcement of the five core ILO standards in a nation's laws and dispute settlement procedures necessary to make these provisions meaningful.

Our Caucus should stand together to achieve this result. As we begin to consider the specific provisions and merits of the Singapore and Chile FTA, we need to take into account that the current realities for worker rights in those two nations contrast with the persistent inability of workers in Central American to exercise any real ability to associate and bargain in order to achieve an effective role in their work place, an essential dynamic that is in need of change and must be addressed in CAFTA negotiations.

I am presently working on a report on my visit to El Salvador, Nicaragua and Guatemala and would be glad to share it with you as soon as it is completed. In the meanwhile, if you would like more information on my trip, please do not hesitate to be in touch.

Sincerely,

Sander Levin